

INFORMATION PAPER CFO ISSUES-FY 2000 AUDIT

Issue: DD 1354 Process - Transfer of Real Property

References:

AR 415-15, Army Military Construction Program Development and Execution

AR 420-17, Real Property and Resource Management

AR 415-28, Department of Army Facility Classes and Construction Category

DA PAM 415-28, Guide to Army Real Property Category Codes

ER 415-345-38, Transfers and Warranties

ER 415-345-13, Financial Closeout

ER 415-1-16, Construction Fiscal Management, Chapter 5, paragraph 2a.

ER 5-1-11, Program and Project Management

CEMP-MP memorandum, 9 Feb 95 subject: Project Manager (PM) Guidance on Transfer of Construction Projects from the Construction-in-Progress (CIP) Account for Military Programs

CERM-P memorandum, 14 Apr 98 subject: Post Construction, Supervision and Administration (S&A) Activities

Description: The DD Form 1354, Transfer and Acceptance of Military Real Property, formally documents the transfer of ownership and responsibility for military real property. It is also used by the Corps to remove the asset value from the construction-in-progress general ledger account (direct funded projects funded with capital asset appropriations) and by the military customer to record the capital asset value on their property books. The DD Form 1354 includes a description of the major project features and all costs of the project, to include the design cost. Local procedures, customer requirements, and time standards listed below should be included in the transfer Memorandum of Understanding (MOU) (see ER 415-345-38). For Military construction (MILCON) projects there will normally be three DD Forms 1354 prepared for each project.

(1) **Draft DD Form 1354:** The designer will prepare a draft DD Form 1354 at the completion of the design phase, which is normally chargeable to planning and design (P&D) or other design funds. The Project Manager will furnish the draft DD Form 1354 to the customer for review as part of the bidability, constructability, operability, and environmental (BCOE) review or within 3 months of award of the construction project to ensure that all required information is included. The revised draft DD Form 1354 should be provided to the area/ resident office responsible for

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administering the contract within 6 months of award. The draft will be revised to include changes requested by the customer, final costs of planning and design (excluding design during construction), and the estimated construction costs of each item shown. Draft DD Forms 1354 are not required for O&M projects or design build projects.

(2) **Interim / Partial DD Form 1354:** When construction work is substantially complete, that is, a complete and usable facility is constructed, the interim DD Form 1354 will be prepared by the construction agent, USACE, and signed by the customer to document the transfer of ownership and responsibility. CIP will be transferred out within 30 days of customer signing the interim DD Form 1354. A partial DD Form 1354 will be prepared when a phase of a project is turned over to the customer with a partial beneficial occupancy date (BOD). Job order contracts (JOC), indefinite delivery indefinite quantity (IDIQ), and other contracts do not require a DD Form 1354 for each delivery order unless it exceeds \$100,000 or is required by the customer.

(3) **Final DD Form 1354:** When the project is fiscally complete (often years after the interim transfer), a final DD Form 1354 will be prepared to reflect final costs and sent to the customer. The final DD Form 1354 should be the basis for the final asset valuation on the customer's property books and will be used to transfer out all remaining CIP in the USACE general ledger account for that project. Final DD Forms 1354 are required for O&M funded projects only if the project is being capitalized or the customer requires the form.

Requirements for Compliance:

Standards: 75% of a district's DD Forms 1354 should be accomplished within the prescribed time standards described below and 90% within 30 days of the standards.

(1) Identify and document all costs of the project including construction, planning and design, supervision and administration, and design during construction (formerly called engineering during construction), commissioning, warranty enforcement, preparation of as-built drawings, government furnished equipment (even if funded from other appropriations), etc.

(2) If costs for non-construction (other than contract) items are prorated to the major construction item, the cost of each distributed item must be noted in a footnote.

(3) The initial DD Form 1354 will be prepared and sent to customer within 10 workdays of substantial completion. The customer should sign and return the document within 10 workdays. Beneficial occupancy should not be allowed until receipt of the signed DD Form 1354.

(4) The final DD Form 1354 will be prepared (new clean copy per CERM-P memorandum, 14 Apr 98 referenced above) and sent to customer within 30 days of financial completion. Customers are not required to sign the financial completion DD Forms 1354 but should acknowledge its receipt.

(5) CIP should be transferred out within 30 days of the customer signing the interim and a second transfer following the Corps signing the final DD Form 1354. Since some projects (like family housing) may have many partial DD Forms 1354, the transfer of CIP is not normally required unless the costs exceed \$1,000,000 and it will be over 6 months until the interim transfer. If the customer fails to sign the DD Form 1354 within the time allowed, CIP should be transferred out without the customer's signature.

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Field Actions:

- (1) The project manager is responsible for reviewing procedures and setting up a suspense system to assure standards are met.
- (2) Resource Management should monitor compliance.

HQUSACE Actions:

NA

Self-Assessment Rating Criteria:

Green (Compliant): Meet **time standards** above and verify that the appropriate costs are documented on DD 1354. The local Internal Review (IR) Office should validate cost and compliance with time standards.

Milestones:

MSC Commanders provide quarterly assessment.

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Other POCs:

HQUSACE:

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Remarks: The DD FORM 1354 and CIP CFO issues need to be worked together with procedures that assure both issues are in compliance.

Philip Blount
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21 December 1999